

**Remarks of
Peter L. Scher
Senate Foreign Relations Committee
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Thank you, Mr. Chairman, Members of the Committee. I am deeply honored to have this opportunity to appear before you today as President Clinton's nominee to be the Special Trade Ambassador for agriculture.

In the time since President Clinton nominated me for this position, I have had an opportunity to meet with members of this Committee, other members of Congress as well as many individuals from the agriculture community to discuss the challenges ahead for U.S. agriculture. I am grateful for this opportunity to serve, and, if the Senate confirms me, I look forward to working with the members of this Committee and the Congress in tackling the challenges facing American agriculture as we prepare to enter the 21st Century.

Impact of the Global Economy on Agriculture

Mr. Chairman, the pace of change in the modern world seems to accelerate each day. Technology has changed everything from the way multinational companies conduct business to the way we conduct our personal finances to the way a farmer harvests his crops. Global trends, both positive and negative, are transmitted at the speed of light through the Internet and satellite transmissions. People, money, goods and services -- all casually transverse the globe in a manner we couldn't have imagined in 1970, but take for granted today.

All of these trends have made the world a smaller place, and all have emphasized the growing importance of international trade to our own economy. In 1970, trade represented just 13% of our GDP; last year it was 30%, or \$2.3 trillion. More than 11 million U.S. jobs now depend on U.S. exports, including one million in the agricultural sector alone.

The importance of trade is underscored by our shrinking share of the world's population. Americans now comprise only 4% of the world's population and we are reaching close to zero-population growth. But the world is still growing. The power of emerging middle classes, consumers with higher incomes with the resources to shift their consumption patterns, has become a critical factor driving markets. In India, for example, there will be 115 million new members of the middle class by 2005; in Indonesia, its 49 million; in Thailand, 18 million; and in China, probably the fastest growing economy in the world, there will be 196 million more members of the middle class by 2005. These new middle class consumers around the world represent a booming potential market for our products and services.

So the policies that brought America prosperity during the last fifty years will not suffice for a new century. Our economic success, the competitiveness of our industries, the future standard of living for the next generation of Americans -- will depend in large part on the ties we forge with the other 96% of the world.

U.S. Agriculture is Inextricably Linked to Trade

In light of all these changes, it has become virtually impossible to distinguish between trade and agriculture. Today, export markets are critical to nearly every sector of U.S. agriculture: one out of every three farm acres is dedicated to exports: 50% of our wheat acres; 43% of our rice acres; 47% of our soybean acres; 30% of our corn acres; 30-45% of the value of many fruits and vegetables comes from exports; and 31% of our cotton acres are dedicated to producing product for export. Exports have also become increasingly important to our ranchers and livestock producers. We are now a net exporter of meat. Six percent of this year's production of pork and nine percent of our production of beef will be exported to other countries.

U.S. farmers are competing and winning all over the world. In 1996, U.S. agricultural exports reached record levels, nearly \$60 billion, a 40% increase in exports since 1992. This increase has made agriculture the largest exporting sector in the United States, accounting for nearly ten percent of our total merchandise exports. Mr. Chairman, very simply, American agriculture is winning in the world because it leads the world in efficiency, innovation, and quality.

As Agriculture Secretary Glickman often points out, exports are now even more critical for American farmers because of decreasing federal support for prices. The new farm bill makes American agriculture the most purely market oriented in the world. Our farmers now have unprecedented freedom to decide what they grow and how they sell it. Our government's role must be to ensure that American farmers are not the only ones to play by market rules.

Accomplishments

Mr. Chairman, we have seen real progress in recent years in opening markets for U.S. products and services. The Clinton Administration, working with the Congress in a bipartisan fashion, has used all of the tools at our disposal to reach over 200 new agreements and to enforce existing agreements. The two largest agreements in recent years -- the North American Free Trade Agreement (NAFTA) and the Uruguay Round -- have created new opportunities for American farmers. Under NAFTA, our agricultural exports are rising and our market share is increasing. Last year, our exports to Canada rose to \$6.1 billion, the highest ever. The growth in our agricultural exports to Mexico is quite frankly, exploding. Despite the impact of the peso devaluation on our exports, the United States set a new record of \$5.4 billion in agricultural exports in 1996. A recent study prepared by the agriculture community showed that the U.S. share of Mexico's agriculture imports had increased from 60% in 1993 to 78% in 1996. This is a far cry from the last debt crisis in Mexico back in 1982, when Mexico was not bound by its commitment to reduce its tariffs and U.S. agricultural exports plunged by more than 50% the first year. It took seven years for our agricultural exports to recover to pre-devaluation levels.

The Uruguay Round has resulted in important gains in market access, with new disciplines on export subsidies, controls on domestic price supports, an enforceable dispute settlement mechanism and a new agreement for sanitary and phytosanitary (SPS) disciplines.

Although the Dispute Settlement provisions of the WTO are still in their infancy, we have aggressively applied the process to begin to tear down foreign trade barriers, including the European Union's ban on imports of livestock products produced with growth-promoting hormones. As a result of another action the U.S. brought in the WTO, Korea has now converted to a manufacturer's shelf-life system which will open the Korean market to more of our agricultural products.

The Clinton Administration and Members of Congress having worked together to forge a bipartisan trade agenda can take great pride in these accomplishments. And the ever increasing amount of our exports is a strong indication that our policy is working. But as proud as we may be of the record, we can and we must do better. There are significant barriers that remain and even more significant challenges ahead and, if I may, I would like to take a few moments to discuss several of the key challenges we face over the next several years.

Significant New Challenges for U.S. Agriculture

Mr. Chairman, as much progress as we have made, we can not ignore the fact that significant barriers remain. From the continued use of export subsidies to the disruptive power of State Trading Enterprises and high tariffs which serve only to protect producers from a competitive marketplace, we have a great deal of work to do to break down these barriers. But even as we tackle many of these traditional barriers we must also recognize that countries have become more sophisticated and often more nuanced in erecting new non-tariff barriers. In recent years we have seen a dramatic increase in the number of technical barriers to trade in the form of so-called sanitary and phytosanitary restrictions. For countries seeking to restrict access to their markets, these SPS barriers have become, in a sense, the new "trade barrier of choice." USDA estimates that from 1995 to 1996, there was a thirty percent increase in the use of these barriers, blocking an estimated \$5.5 billion in U.S. agricultural exports. For example, Indonesia's proposed import requirements for fresh fruits and vegetables, as well as Japan's requirement for variety-by-variety testing on imports of apples and other fruits are of concern to us. In addition, despite some progress, China continues to restrict market access for some agricultural products based on unscientific restrictions, affecting exports of citrus from Florida, California, Texas and Arizona, wheat from the Pacific Northwest, stone fruit, poultry, pork and tobacco.

It is essential for the United States to continue to exert leadership in bringing down these barriers, and this will be a clear priority for me and for USTR. We have begun to make some progress. In recent months, for example, after intense negotiations we were finally able to open Japan's market to our tomatoes; open Chile's market to exports of California's kiwis, grapes, grapefruits, and lemons; and open China's market to our grape exports. Together, these exports are expected to total more than \$100 million within a few years. USTR will continue to act aggressively, utilizing the SPS committee in the World Trade Organization to identify specific barriers to trade. We are going to continue to press on this issue both bilaterally and multilaterally. We cannot allow dubious scientific criteria to be used to shut the door to America's agriculture.

Greater Resources to Address these Challenges

To overcome these and other challenges, we must continue to be persistent in bilateral negotiations, use the full force of all of the market opening tools at our disposal, and prepare for the upcoming WTO agricultural negotiations in 1999. President Clinton and Ambassador Barshefsky recognize how important these challenges are to the health and economic well being of our farmers and ranchers. Ambassador Barshefsky's decision to create the position for which the President has nominated me, the first Special Trade Ambassador for agriculture, is a reflection of her commitment to expanding opportunities for America's farmers and ranchers. Since 1992, agriculture has ranked as the single largest net exporter of goods in the United States. It is vital, therefore, to the health of the whole American economy for our farmers and ranchers to remain the most productive and competitive in the world. But in order to do that, they need more help in breaking down trade barriers, getting fair market access and ensuring reciprocity for U.S. exports.

Our Agricultural Trade Agenda

Mr. Chairman, if I may, I'd like to spend just a few minutes outlining some of the key elements of our agenda for the next several years:

Enforcement of Agreements: President Clinton has been clear and resolute since the earliest days of his Administration when he explained that the United States would continue to welcome our competitors to do business here in the United States on fair and open terms, but would expect the same access to their markets. The Administration's bipartisan effort to expand trade by forging new agreements with countries around the world is one of the clearest examples of the success of our policies. But concluding trade agreements is only one part of the effort. We must also ensure that countries abide by their deals. Where countries are not fully complying with their commitments, we must use the tools at our disposal to insist that countries live up to their obligations. As I indicated earlier, we have begun to use the new WTO procedures as an important tool in that effort. Our success with Korea and the European Union has demonstrated how we can put the WTO to work for America. We will continue to use the WTO, as well as our own domestic laws, to ensure that when another country makes a deal, it keeps it.

Productivity Through Biotechnology: The world's population is increasing almost exponentially. As a result, in the next fifty years global food demand is expected to triple. In order to meet that demand without tripling the amount of land used for production we must build on the advances that have been made in agriculture through science and technology. The United States leads the world in using advanced technology to create agricultural goods that grow faster, produce higher yields, and better withstand crop diseases and pestilence. Our ability to market goods developed with biotechnology is more than just an economic issue. It is a humanitarian issue, it is an environmental issue, and it is an issue of global security. Biotechnology holds great promise for meeting the world's security needs. It is one of our best defenses against the deforestation, land erosion, and water depletion that can destabilize entire populations.

However, market access restrictions for biotechnology products, those containing genetically modified organisms (GMO's), threaten our progress. Our own Food and Drug Administration

(FDA) has demonstrated that extensive regulatory review and testing in the United States and other countries shows that products containing GMO's are safe and healthy. We must ensure, without any question, that any consumer and policy debate in Europe or elsewhere about the safety and benefits of biotechnology is one based on sound science and that any policies adopted do not reduce market access for U.S. agriculture.

WTO Accessions: In addition to using the dispute settlement procedures of the WTO, we must also ensure that as new countries join the WTO, they do so only on a commercial basis and that we use this process as an opportunity to gain more market access for our agricultural products. China's proposed accession has received the most attention in recent months. We have been clear to the Chinese that, regardless of any other concessions, real market access commitments for our agriculture products must be agreed to or there will be no entry to the WTO. While China's accession has attracted far more attention, there are some 27 other nations in various stages of the accession process, including Russia, Saudi Arabia, Ukraine, and Vietnam. These nations represent significant markets, and that is precisely why they must be brought into the WTO in a way that reinforces it rather than undermines its strength. We must insist upon the highest standards of adherence to international rules and market access.

The Next Round of Agricultural Negotiations: Following the Uruguay Round, countries around the world agreed to continue the process of reform of trade in agriculture beginning in 1999. This commitment was reinforced at the first WTO Ministerial in Singapore last December. As old barriers to trade persist and new barriers increase, these negotiations will be critical to U.S. agricultural interests. These negotiations will center around further improving market access, reducing unfair subsidies, and challenging market-distorting activities such as state trading enterprises. USTR and USDA, under the leadership of Ambassador Barshefsky and Secretary Glickman, will be preparing for these negotiations, which will cover a wide range of products and have far-reaching consequences for American agriculture. In the Uruguay Round of the GATT, we were able to win more than 10,000 commitments on market access alone. The scale of the unresolved and new issues before us is comparable, and we need to ensure that our preparation allows us to get the maximum amount of benefit from the negotiations. The first step in that process will be to secure a new grant of fast track negotiating authority for the President.

Regional Initiatives: Finally, Mr. Chairman, we can not forget that the two fastest growing regions in the world are Asia and Latin America. In our effort to promote further reductions in agricultural barriers, we intend to use several regional initiatives. Under the work of the Free Trade Area of the Americas (FTAA), three hemispheric working groups have been created that will focus directly on agricultural interests in this hemisphere. One group will address market access, another sanitary and phytosanitary issues, and a third will address anti-dumping and countervailing duties issues and subsidies. This hemisphere is our single largest and fastest growing market and our agricultural producers must be able to compete in it head-on.

The economies of APEC, the Asia-Pacific Economic Cooperation Forum, account for over one-half of the world's GDP. Nearly 43% of our agricultural exports go to Pacific Rim countries. APEC has adopted the goal of attaining free trade in the region by the year 2010 for developed countries and 2020 for developing countries. To shape the free-trade agenda in the Pacific Rim, we are supporting

several initiatives to reduce tariffs, provide greater cooperation and transparency on technical issues such as import requirements, plant and animal quarantine, biotechnology and agricultural finance.

Conclusion

Mr. Chairman, the work ahead can seem daunting. The success of American agriculture -- the livelihoods of American farm and ranch families -- depend, in large part, on our ability to sustain and build upon the most competitive, productive and efficient agriculture market in the world. And as the breadbasket of the world, the success or failure of American agriculture has significant ramifications well beyond our shores. This committee, and even this hearing, symbolize the critical nexus between agriculture and security. As the world's population grows and global demand for food increases, our ability to meet that demand will be an issue of U.S. leadership.

Success has many components, but one of them is removing barriers and opening markets around the world. If confirmed, I pledge my tireless efforts to ensure that component is in place.

I would like to thank you Mr. Chairman, and the members of the committee for the courtesy and hospitality you have extended to me. I would be glad to take any questions you might have.